

**MEETING OF THE GENERAL
GOVERNMENT RETIREMENT BOARD**

December 9, 2021

A Regular meeting of the General Government Retirement Board was held on **December 9, 2021 at 5:00 p.m.** in the City Council Chambers at City Hall, Bristol, CT. Members present: Chairman Tom Barnes, Jr., Vice Chairman David Preleski, Mayor Jeffrey Caggiano, Council Member Olsen, Comptroller Diane M. Waldron, Commissioner's David Butkus, Orlando Calfe, Peter Dauphinais, Thomas DeNoto, Paul Keegan, Frank Rossi, and William Veits. Absent: None.

Also present: John Oliver Beirne from Beirne Wealth Consulting
Rebecca Seiman & Michelle Boyles from Milliman

1. Call to Order.

Pledge of Allegiance

The meeting was called to order at 5:00 p.m. by Chairman Barnes.

2. Item 2-Public Participation.

Mark Whitford, 136 Empire Way, addressed the Board and reiterated that he has actuarial/investment experience and is available to provide assistance if needed. He briefly discussed several ideas he had for the portfolio after reviewing the recent Beirne Wealth and Milliman reports.

3. Item 3 - Minutes for the Regular meeting of November 10, 2021 were approved.

A motion was made by Commissioner DeNoto and seconded by Commissioner Butkus and it was unanimously voted to:

"Approve the minutes of the Regular General Government Retirement Board meeting of November 10, 2021 and place them on file."

4. Item 4 - Treasurer's report November 2021

A motion was made by Commissioner Butkus and seconded by Commissioner Keegan and it was unanimously voted to:

"Accept the Treasurer's Report for November 2021 and place it on file."

5. Item 5 – Consideration of a request to approve the 15 Year Certain & Continuous Option Retirement from Skip Gillis, Comptrollers, Local 233 effective November 6, 2021.

A motion was made by Commissioner Dauphinais and seconded by Council Member Olsen and it was unanimously voted to:

"Approve the request for 15 Year Certain & Continuous Option Retirement from Skip Gillis, Comptrollers, Local 233 effective November 6, 2021 with an annual pension amount of \$11,642.83 or \$970.24 monthly."

6. Item 6- Consideration of a request to approve the Early Retirement from Kim Melanson, Board of Education, Local 2267 effective September 2, 2021.

A motion was made by Commissioner Dauphinais and seconded by Commissioner Keegan and it was unanimously voted to:

“Approve the request for Early Retirement from Kim Melanson, Board of Education, Local 2267 effective September 2, 2021 with an annual pension amount of \$10,887.33 or \$907.28 monthly.”

7. Item 7- Consideration of a request to approve the Vested Retirement from Tracey Paradis, Board of Education, Local 2267 effective May 1, 2028.

A motion was made by Commissioner Butkus and seconded by Council Member Olsen and it was unanimously voted to:

“Approve the request for Vested Retirement from Tracey Paradis, Board of Education, Local 2267 effective May 1, 2028 with an annual pension amount of \$5,120.90 or \$426.74 monthly.”

8. Item 8- Consideration of a request to approve the Normal Retirement from Christine Petosa, Comptrollers, Local 233 effective November 2, 2021.

A motion was made by Commissioner Veits and seconded by Commissioner Butkus and it was unanimously voted to:

“Approve the request for Normal Retirement from Christine Petosa, Comptrollers, Local 233 effective November 2, 2021 with an annual pension amount of \$32,036.16 or \$2,669.68 monthly.”

9. Item 9- Consideration of a request to approve the Normal Retirement from Vincent Rosa, Public Works Department, Local 1338 effective November 18, 2021.

A motion was made by Commissioner Keegan and seconded by Commissioner Butkus and it was unanimously voted to:

“Approve the request for Normal Retirement from Vincent Rosa, Public Works Department, Local 1338 effective November 18, 2021 with an annual pension amount of \$56,110.07 or \$4,675.84 monthly.”

10. Item 10- Consideration of a request to approve the Normal Retirement from Sean Lennon, Fire Department, Local 773 effective November 16, 2021.

A motion was made by Commissioner Butkus and seconded by Commissioner Keegan and it was unanimously voted to:

“Approve the request for Normal Retirement from Sean Lennon, Fire Department, Local 773 effective November 16, 2021 with an annual pension amount of \$62,739.78 or \$2,406.46 bi weekly.”

11. Item 11- Consideration of a revision to the request to approve the Early Retirement from Diane Vanden Heuvel, Board of Education, Local 2267 effective September 2, 2021.

A motion was made by Comptroller Waldron and seconded by Commissioner Calfe and it was unanimously voted to:

“Approve the revision to the request for Early Retirement from Diane Vanden Heuvel, Board of Education, Local 2267 effective September 2, 2021 with an annual pension amount of \$10,086.54 or \$840.55 monthly.”

12. Item 12- Milliman Five Year Experience Study Presentation.

Rebecca Seilman, of Milliman, addressed the Board and presented the findings from the 2015-2020 Experience Study. Milliman will also attend the January 2022 Retirement Board meeting to present an updated valuation, which will reflect any changes in assumptions based on the Experience Study. The actuaries analyzed various economic and demographic assumptions including inflation, interest rates, pay increases, mortality, turnover, retirements, and disability retirements.

Economic Assumptions:

While inflation is currently spiking, the actuaries are not concerned with short-term inflationary environments and noted that the Social Security Administrations provides reports that project long-term inflation. After analyzing the SSA reports, the actuaries recommend lowering the inflation rate from 2.7% to 2.4%. For interest rates, the actuaries used an asset smoothing method looking at a 30 year period and proposed bringing the assumption from 7% to a conservative 6.5%. In the past, the actuaries analyzed wage inflation/pay increases based on an employee's age but have decided to implement a structural change and focus on a service based assumption. They also analyzed compensated absences that are paid out and get factored into an employee's pension. Milliman proposes a real wage inflation and pension escalator assumption decrease from 3.25% to 3%.

Demographic Assumptions:

The actuaries chose to switch to a service based assumption for turnover rates as well. Generally, Police and Fire experience very low turnover, which caused the proposed assumption to be reduced to 0%. City and BOE employee turnover rates are highly impacted by retirement eligibility and whether or not they have attained the rule of 80. For disability assumptions, the city has not experienced enough disability retirements and the actuaries did not have enough data to draw a conclusion. Milliman now has access to new mortality tables created specifically for public pension plans with a focus on public safety. Generally, life expectancy is anticipated to continue lengthening. Milliman proposes that the City change to the new mortality tables and the new version of generational projection per the MP-2019 Ultimate Scale, since these measurements focus on individuals that are included in a public pension plan. This subset would be more applicable to the City's employee population.

Funding Method:

The Cost Method is the way in which the cost of benefits that are being earned by active members are allocated looking at the past, present, and future. We currently use the Entry Age Method and there is no proposed change.

Due to the plans overfunded status, the Amortization Method is low priority at this time. We currently use the level dollar over an open 20-year period method and there is no proposed change. We are currently only amortizing the plan's surplus.

The Asset Smoothing Method is the method used to get a better picture of how well the plan is funded. We currently use a four year non-asymptotic smoothing with a +/- 20% corridor method and Milliman proposes that it be changed to a five year non-asymptotic with no corridor method to provide better smoothing.

Milliman provided a breakdown of the impacts of all proposed changes. They also provided the funded ratio difference between a 6.5% & 6.75% Interest Rate Assumption (128.9% and 132.6% respectively). The current funded ratio with no changes is 134.2%. Milliman will be delivering the 2021 Valuation results at the January Retirement Board Meeting. At this time, Milliman will perform the valuation using all proposed changes.

Chairman Barnes left the meeting at 6:05 pm

13. Item 13 – Investment Review – Beirne Wealth Consulting, LLC.

- **General Retirement Fund**

John Oliver Beirne provided a high level overview of the portfolio and briefly addressed the presentation by Milliman. Because of the low rate on bonds, equities are going to be expected to perform well in order to meet target returns. To get back to the historical average, the market will go through a difficult environment with a lot of volatility. Beirne may be bringing new potential investments to the Board in the coming months.

Beirne Wealth is continuing to monitor the selloff of small/mid cap stocks. There has been a lot of concentration in the large cap names, which is typically seen before market selloffs. John Oliver also discussed several global issues happening right now including China and the lockdowns across Europe. It is difficult to grow an economy when people are in lockdown. The withdrawal of stimulus is also having adverse effects on the market. Given the plan's funding status, Beirne will continue to monitor market dislocations over time. The portfolio is currently moderate-moderately aggressive and would ideally move towards moderate over the next year to immunize the portfolio against interest rate risk.

As of November 30, 2021, the portfolio was priced at \$820,393,584 with about 20-25% of the pricing missing. The portfolio is up approximately 14% year to date. OCO and Arsenal did a good job at protecting assets during Covid. Mainly due to the fact that they are largely tech driven investments and the technology industry exploded during Covid.

Comptroller Waldron asked John Oliver for Beirne's initial thoughts on Milliman's proposed interest rate assumptions. John Oliver stated that it will be a tough environment to hit 6.5% and generally a 6.5% earning portfolio would be considered very well performing. Beirne and the Board will have to be very thoughtful about where the plan invests.

Mayor Caggiano left the meeting at 6:14pm.

The Board engaged in significant discussion regarding the proposed interest rate assumptions. Board members agreed to review the Milliman reports and continue discussion at the January meeting.

14. Item 14–Update on contract negotiations with Beirne Wealth Consulting for Advisory Services.

The contracts have been agreed upon by both parties and are just waiting on signatures. Corporation Counsel sent the contract to Beirne Wealth today.

15. Item 15- Any other business proper to come before meeting.

None.

16 Item 16- Adjournment

At 6:57 p.m. a motion was made by Commissioner Butkus and seconded by Commissioner Keegan and it was unanimously voted to: "Adjourn."

Respectively submitted,

Diane M. Waldron
Comptroller and Secretary, Retirement Board

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